

1 Laurel E. Davis (NV Bar. No. 3005)
2 Craig S. Dunlap (NV Bar. No. 4974)
3 FENNEMORE CRAIG, P.C.
4 Bank of America Plaza, Suite 1400
5 300 South Fourth Street
Las Vegas, Nevada 89101
Telephone: (702) 692-8000
Facsimile: (702) 692-8064
ldavis@fcclaw.com

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6 William P. Smith (IL Bar No. 6187205)*
7 James W. Kapp III (IL Bar No. 6239269)*
8 Miles W. Hughes (IL Bar No. 6279176)*
9 MCDERMOTT WILL & EMERY LLP
227 West Monroe Street, Suite 4400
Chicago, Illinois 60606-5096
Telephone: (312) 372-2000
Facsimile: (312) 984-7700

10 * *Admitted Pro Hac Vice*

11 *Attorneys for Ambac Assurance Corporation*

12 **UNITED STATES BANKRUPTCY COURT**
13 **DISTRICT OF NEVADA**

14 In re CASE NO. BK-S-10-10464-BAM
15
16 LAS VEGAS MONORAIL COMPANY, a CHAPTER 11
Nevada non-profit corporation,
17
18 Debtor. Hearing Date: February 17, 2010
Time of Hearing: 8:30 a.m.

19 **SUPPLEMENTAL DECLARATION OF SCOTT ZUCHORSKI**
20

21 Scott Zuchorski declares as follows:

22 1. My name is Scott Zuchorski. I am currently a First Vice-President in the
23 Restructuring Group at Ambac Assurance Corporation (“**Ambac24 since January 2010, prior to which I had held the title of Vice President since the group was
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26**

1 formed in May 2009. Ambac is a Wisconsin-domiciled stock insurance corporation regulated by
 2 the Office of the Commissioner of Insurance of the State of Wisconsin.

3 2. I joined Ambac in July 2002 as an analyst in Ambac's Public Finance Portfolio
 4 Risk Management division. From January 2004 to January 2006, I worked as an Assistant Vice-
 5 President in the same division. In January 2006, I became a Vice-President in the division. I held
 6 such title until May 2009, when I became a member of the Restructuring Group.

7 3. In my current position, I am responsible for the management of Ambac's various
 8 interests in distressed or troubled transactions in Ambac's book of business. I have personally
 9 been involved in the management of Ambac's interests with respect to the Las Vegas Monorail
 10 Company ("LVMC") since August 2005, when I became the surveillance analyst responsible for
 11 the LVMC transaction.

12 4. I make this Declaration in support of (i) Ambac's Motion For Dismissal of Chapter
 13 11 Proceeding (the "Motion") and (ii) Ambac's Reply to Oppositions of the Debtor and the
 14 Director of the State of Nevada Department of Business and Industry to Ambac's Motion (the
 15 "Reply").¹ This Declaration supplements my previous declaration in support of the Motion,
 16 which was filed with this Court on January 13, 2010 (Docket #9).

17 5. I have personal knowledge of the facts set forth herein, or have learned these facts
 18 from persons and sources who reported to me or upon whom I relied in the ordinary course of
 19 duties and responsibilities as a First Vice President and as a Vice-President of the Restructuring
 20 Group. The documents attached to this Declaration were copied or prepared in the ordinary
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25 26 ¹ All terms not otherwise defined herein shall have the meaning ascribed to such terms in the Motion and/or the
 Reply.

1 course of business by Ambac employees. In addition, I am generally familiar with all of the
 2 documents referenced in this Declaration.

3 6. If called to testify, I am competent to attest to the facts set forth herein.

4 **State Control of LVMC**

5 7. The Governor of the State of Nevada (the “**Governor**”) has the affirmative right
 6 to:

- 7 (i) Remove members of LVMC’s Board of Directors for cause;
- 8 (ii) Refuse to reappoint members of LVMC’s Board, reject member
 9 nominations submitted by the Board, and ultimately appoint
 10 members to the Board without nomination;
- 11 (iii) Reject LVMC’s annual budgets, disapprove any material alterations
 12 to a financial report or approved annual budget, and refuse to allow
 13 major expenditures for enhancements or repairs of the Monorail;
- 14 (iv) Deny proposed changes to LVMC’s rate schedule which fall outside
 15 of the Rate Covenant set forth in the Senior Indenture;
- 16 (v) Disapprove any proposal to amend or repeal LVMC’s Bylaws; and
- 17 (vi) Inspect and audit all LVMC books, records, and documents of every kind
 18 on an annual basis.

19 8. The State’s ongoing involvement in LVMC’s affairs is also evidenced by the
 20 Director’s commission of a study by a firm named Applied Analysis relating to the potential
 21 extension of the Monorail to McCarran International Airport (the “**Applied Analysis Report**”).

22 The cover letter to the Applied Analysis Report states as follows: “This study was undertaken on
 23 behalf of the Director of the Department of Business and Industry to better evaluate the current
 24 Las Vegas Monorail Company (“LVMC” or “the Organization”) operation, LVMC’s economic
 25 and environmental impacts on southern Nevada, and the potential benefit of an extension of the
 26 existing operations to McCarran International Airport.” A true and accurate copy of the Applied

1 Analysis Report is attached hereto as Exhibit "A". I received a copy of the Applied Analysis
 2 Report directly from Curtis L. Myles, III, the President and Chief Executive Officer of LVMC, on
 3 August 24, 2009.

4 9. On another occasion, the Director of the State of Nevada Department of Business
 5 and Industry (the "**Director**") required LVMC to produce extensive documentation relating to
 6 LVMC's governance, operations and financial affairs. A true and accurate copy of such request
 7 is attached hereto as Exhibit "B". I received a copy of such request on April 22, 2008, from Lon
 8 A. DeWeese, the Chief Financial Officer of the Nevada Housing Division.

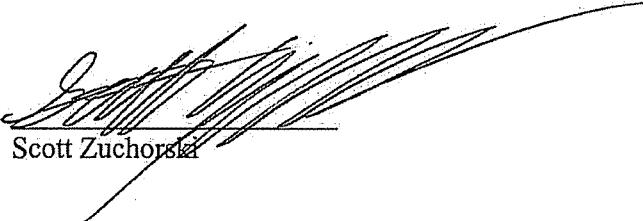
9 10. Since the commencement of Monorail operations in 2004, representatives of the
 10 Governor or the Director have attended, in person, not less than 50 meetings of the Board of
 11 Directors. These representatives were not lower-level bureaucrats. Rather, all such LVMC
 12 Board meetings were attended by either (i) the Governor's Chief of Staff, (ii) the Governor's
 13 Deputy Chief of Staff, (iii) the Director of the Department of Business and Industry, or (iv) the
 14 Chief Financial Officer of the Department of Business and Industry Housing Division. True and
 15 correct copies of LVMC's Board minutes demonstrating such government participation are
 16 attached hereto as Exhibit "C" (collectively, the "**Minutes**").

17 11. On April 13, 2007, Ambac requested that LVMC, through Mr. Myles, provide, in
 18 part, copies of all Board minutes from inception of LVMC through April 13, 2007. In addition,
 19 after such date, I regularly received copies of new Board minutes from LVMC at the direction of
 20 Mr. Myles. As a result, this is how I came to receive true and correct copies of the Minutes set
 21 forth in Exhibit "C".

22 25 I declare under penalty of perjury that the foregoing is true and correct to the best of my
 23 26

1 knowledge and belief.

2 EXECUTED this 11 day of February, 2010.

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